

Normative internal legal act	<b>Dividend policy of AB “Ignitis grupė” subsidiaries</b>
Name of the process	Dividend allocation and payment
Approving company	AB “Ignitis grupė”
Owner – the department	Group Treasury
Approving person / body	Management Board of AB “Ignitis grupė”
Date of approval and entry into force	30/01/2024

## DIVIDEND POLICY OF AB “IGNITIS GRUPĖ” SUBSIDIARIES

### 1. PURPOSE AND SCOPE OF APPLICATION

- 1.1. The purpose of the dividend policy of AB “Ignitis grupė” subsidiaries (hereinafter referred to as the Policy) is to define the principles of allocating and paying dividends to AB “Ignitis grupė” (hereinafter referred to as the Company) subsidiaries (including subsequent subsidiaries) (hereinafter referred to as the Subsidiary) and to ensure the implementation of the Company's dividend policy.
- 1.2. This Policy shall apply to Subsidiaries.

### 2. TERMS

- 2.1. General terms are defined in the [Glossary of Terms: Group, Company, ESO](#).
- 2.2. **Dividend policy of the Company** shall mean the dividend policy of the Company, approved by the decision of the Management Board of the Company of 3 September 2020.
- 2.3. **ESO EBITDA** – ESO earnings before taxes, interest, depreciation and amortization. ESO EBITDA is calculated using the following formula:  
$$\text{ESO EBITDA} = \text{ROI}_t + N_t \pm K_t + \text{additional component}$$
where:  
 $\text{ROI}_t$  – ESO's return on investment, calculated by applying the rate of return on investment set by NERC for the year t from the regulated asset base for the beginning of year t, in EUR;  
 $N_t$  – ESO's planned depreciation costs for the year t, in EUR;  
 $K_t$  – the deviation of the return on investment assessed by NERC for the year t from the previous year in allowed revenue of the regulated ESO activities, calculated in accordance with paragraph 23.8 of the Methodology, and which is subject to the condition defined in paragraph 25.2 of the Methodology, in EUR.
- 2.4. **ESO Net Debt (ESO D)** is calculated using the following formula:  
$$\text{ESO D} = \text{PI} + \text{O} + \text{PT} - \text{PE} - \text{PS}$$
where:  
PI – long-term loans and other long-term liabilities of ESO, in EUR;  
O – bonds issued by ESO, in EUR;  
PT – current portion of ESO's loans, short-term loans and other short-term liabilities of ESO, in EUR;  
PE – cash and cash equivalents of ESO, in EUR;  
PS – loans granted to economic entities related to ESO, in EUR.
- 2.5. **Methodology** – Methodology for determining electricity transmission, distribution and public supply services and the public price cap approved on 15 January 2015 by NERC's Resolution No O3-3 "On the approval of the methodology for determining electricity transmission, distribution and public supply services and the public price cap".
- 2.6. **NERC** – the National Energy Regulatory Council.

### 3. GENERAL PROVISIONS

- 3.1. The purpose of the Policy is to define the main principles that must be ensured when the Subsidiary's management bodies submit proposals to the general meetings of shareholders regarding the allocation of the Subsidiary's dividends. The Policy aims to implement the requirements for the payment of dividends set out for the Company in the Company's dividend policy.
- 3.2. The Policy has been prepared in accordance with the Company's dividend policy and the legal acts of the Republic of Lithuania.

#### **4. DIVIDEND SIZE**

- 4.1. The management bodies of the Subsidiary, except ESO, propose to allocate the share of profit to dividends for the financial year or for a period shorter than the financial year – at least 80 percent of the Subsidiary's net profit received during the reporting period for which dividends are proposed to allocate.
- 4.2. ESO shall propose to allocate dividends of at least EUR 30 million but no more than 50% of ROI<sub>t</sub> for the financial year, taking into account the sustainable debt level of ESO determined by NERC, which is calculated as the ratio of ESO D/ESO EBITDA, which must not exceed 5.5 times at the end of the current period.
- 4.3. The management bodies of the Subsidiary may propose to allocate a share of profit to dividends for the financial year, if the Subsidiary has incurred a loss during the reporting period but has accumulated retained profit from previous reporting periods and the amount of distributable profit (loss) for the reporting period is positive. This provision shall apply only when there is a necessary need for the Company to receive dividends in the implementation of the Company's dividend policy.
- 4.4. The management bodies of the Subsidiaries may propose to set a lower share of the profit for dividends set for the Subsidiaries specified in Sub-Clause 4.1 of the Policy, or to propose not to pay dividends for the reporting period if at least one of the following conditions is met:
  - 4.4.1. The Subsidiary implements green generation investment projects in accordance with the Group's strategy;
  - 4.4.2. The Subsidiary's ability to pay dividends is limited by the covenants set out in the financing agreements;
  - 4.4.3. The Subsidiary implements or participates in the implementation of an economic project of state importance recognised by the decision of the Government of the Republic of Lithuania;
  - 4.4.4. The Subsidiary's equity, after payment of dividends, would become less than the amount of the Subsidiary's authorized capital, mandatory reserve, revaluation reserve and reserve for acquisition of own shares;
  - 4.4.5. The Subsidiary is insolvent, or would become insolvent upon payment of dividends, or the Subsidiary's level of debt is too high;
  - 4.4.6. The Subsidiary has received the written consent of the Head of the Treasury and the Group CFO to apply Sub-Clause 4.4 in cases not provided for in Sub-Clauses 4.4.1–4.4.5.

#### **5. DIVIDEND ALLOCATION AND PAYMENT PROCEDURE**

- 5.1. The management bodies of the Subsidiary shall, taking into account the provisions of the Policy, submit the draft profit (loss) distribution for the financial year or the draft decision on the allocation of dividends for a period shorter than the financial year to the Subsidiary's Supervisory Board for feedback and proposals, if one is established, and to the General Meeting of Shareholders for decision.
- 5.2. The Subsidiary must pay dividends allocated by decision of the General Meeting of Shareholders no later than one month after the date of the decision to distribute the profit or the decision to allocate dividends for a period shorter than the financial year. Advance payment of dividends is prohibited.
- 5.3. Dividends allocated by the decision of the General Meeting of Shareholders shall be a liability of the Subsidiary to the shareholders. A shareholder shall have the right to claim a dividend from the Subsidiary as its creditor.
- 5.4. The principles set out in this Policy shall also apply to the payment of dividends for a period shorter than the financial year. Shareholders of the Subsidiary, whose shares entitle them to at least 1/3 of all votes, shall have the right to initiate the payment of dividends for a period shorter than the financial year.
- 5.5. The Subsidiary must coordinate with the Head of the Treasury the draft profit (loss) distribution for the financial year and the draft decision on the allocation of dividends for a period shorter than the financial year.

## **6. FINAL PROVISIONS**

- 6.1. The Policy is approved and amended by the decision of the Management Board of the Company.
- 6.2. The Head of the Treasury is responsible for the preparation and amendment of the Policy.
- 6.3. The Head of the Treasury is responsible for the implementation and control of the measures of the Policy.
- 6.4. The Policy is publicly available on the website of the Company.

## **7. RELATED LEGAL ACTS**

[AB "Ignitis grupė" dividend policy](#)

*Resolution of the Government of the Republic of Lithuania of 6 June 2012 No. 665 "[Concerning the approval of the description of the procedure for the implementation of State property and non-property rights in State-Owned Enterprises](#)".*

*Resolution of the Government of the Republic of Lithuania of 2 September 2020 No. 963 "[Concerning Dividends Paid by AB "Ignitis grupė"](#)"*

[Law on Companies](#)